

FISCAL NOTE

HB 1777 - SB 2166

March 20, 2005

SUMMARY OF BILL: Increases the inheritance tax exemption from \$950,000 to \$1,000,000 up until January 1, 2006. Increases the inheritance tax exemption from \$1,000,000 to \$2,000,000 for 2006 and beyond. Authorizes a decedent to distribute 50% of his or her maximum single exemption to one (1) or more beneficiaries before death, and without having to pay any estate taxes, so long as the decedent is over the age of 65 and the beneficiaries are a child, a grandchild, or both.

ESTIMATED FISCAL IMPACT:

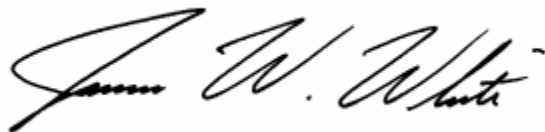
Decrease State Revenues - \$85,000 FY06
 \$5,065,000 FY07
 \$13,730,000 FY08
 \$17,500,000 FY09 and thereafter

Assumptions:

- Currently, the inheritance tax exemption is \$950,000 for 2005 and \$1,000,000 for 2006.
- Enactment of this bill will cause Tennessee's exemption amounts to match with the federal standard exemption amounts for 2005 through 2008.
- Enactment of this bill increases the exemption amounts by \$50,000 for 2005 and \$1,000,000 for 2006 and beyond.
- The federal exemption amount increases to \$3.5 million in 2009.
- To the extent decedents distribute 50% of their estates before death, 50% of the annual maximum exemption will remain.
- Inheritance tax collections lag date of death up to two years.
- July 1, 2005 effective date.
- Decreases in state revenues resulting from the tax exemption increases are estimated at \$85,000, \$5,065,000, \$13,730,000, and \$17,500,000 for FY06 through FY09 respectively.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director